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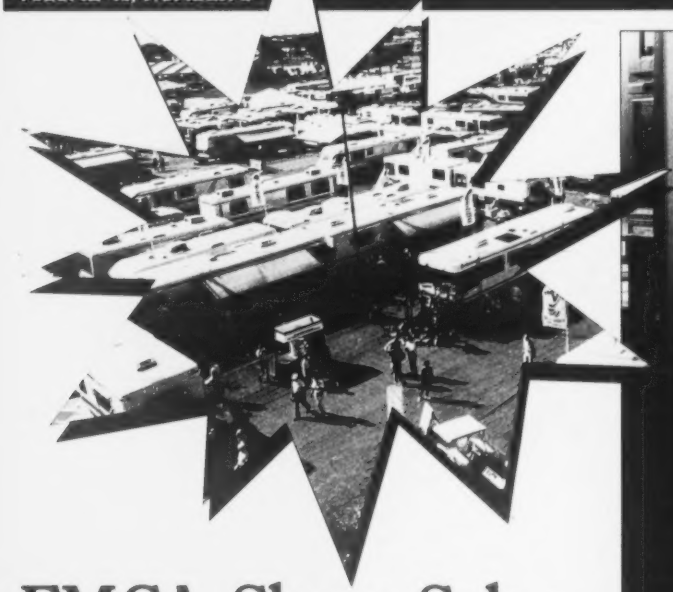

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RV Sales Climb the Recovery Path

The continued rise in RV retail sales was witnessed by this January's 10.7% increase in RV-trailer sales over those of January 1991, while motorhome sales logged a 1.78% gain from January of last year.

The RV-trailer sector improved overall by 400 units from 1991's first-month sales. The seven national regions are ranked in Figure 1 according to their performance as compared with January 1991 results. The state of Utah, in the Mountain region, enjoyed the largest increase in sales, as the South Atlantic region trailed the nation, with Delaware logging the greatest decline.

RV TRAILERS, JANUARY '92

Jan. '92 Rank	Region	% of Change from Jan. '91	Dec. '91 Rank
1	Mountain	22.5	6
2	S. Central	21.9	4
3	W.N. Central	20.4	3
4	Northeast	4.9	5
5	E.N. Central	2.9	1
6	Pacific	-5.4	2
7	S. Atlantic	-18.7	7

Figure 1

MOTORHOMES, JANUARY '92

Jan. '92 Rank	Region	% of Change from Jan. '91	Dec. '91 Rank
1	S. Central	25.9	1
2	Mountain	11.2	3
3	Northeast	7.0	4
4	E.N. Central	6.3	5
5	W.N. Central	-4.8	6
6	Pacific	-5.6	2
7	S. Atlantic	-6.1	7

Figure 2

Retail motorhome sales also climbed in January, up from the previous January's sales by 38 units. As seen in Figure 2, the South Central region topped all others in motorhome sales, having the largest gain in the state of Louisiana. Maryland, in the bottom-ranked South Atlantic region, experienced the largest decrease.

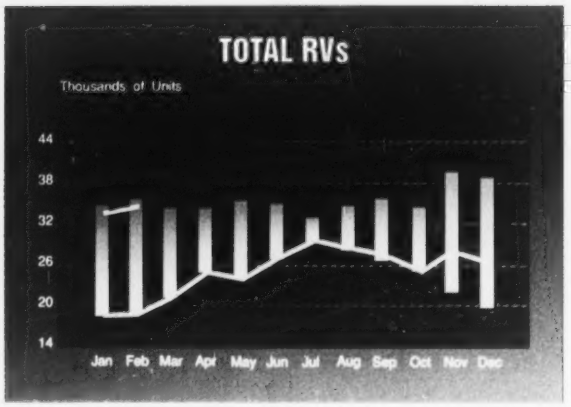
RV-trailer retail sales are currently outpacing those of motorhomes. Some areas of the nation continue to experience a soft market, but a recovery is clearly in process. Overall, the industry has consistently outperformed preceding-year sales on a monthly basis in the period from September 1991 through January 1992. We anticipate further improvement as 1992 advances. Δ *Thomas Wadsworth*

East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; **Mountain**: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; **Northeast**: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; **Pacific**: Alaska, California, Oregon, Washington, Hawaii; **South Atlantic**: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; **West North Central**: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota; **South Central**: Texas, Oklahoma, Arkansas, Louisiana, Tennessee, Mississippi, Alabama.

Thomas Wadsworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry. Statistical Surveys is an acknowledged leader in the RV statistical field.

COMPUTER GRAPHICS: CAROL HENRY

Market Trends



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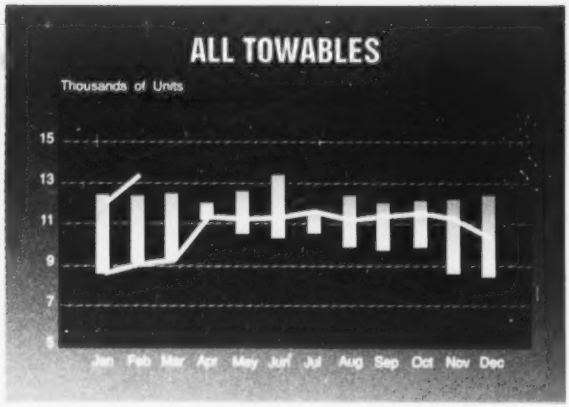

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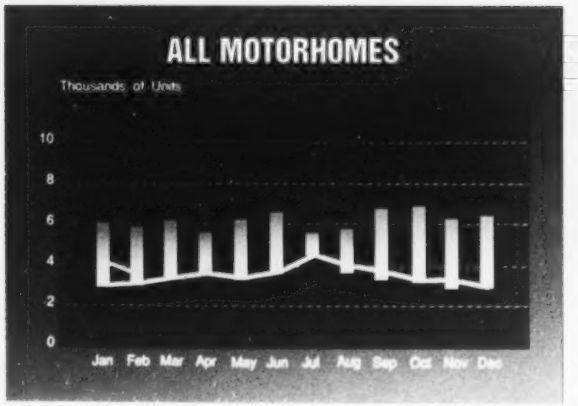

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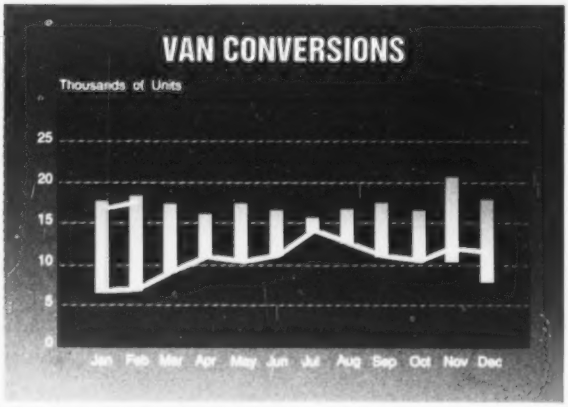


Figure 4

Strong Shipments Press on in February

The strengthening of the RV industry continued in February 1992 as total RV shipments towered over those of the previous February by 87.2% and logged a 3.3% improvement over January '92 shipments, according to figures reported by RVIA and then seasonally adjusted. Towable units rose by 10.1% from January, 46.7% from February '91. While motorhomes struggled with a 12.1% decline from January, they were nevertheless ahead of February '91 by 36.1%. Fifth-wheels and truck campers suffered the greatest drops from the preceding month's showing. Year-to-date total RV shipments were 67,710 units ahead of the same period in 1991, while towables were up by 25,220 units and motorhomes showed an increase of 7,730 units.

Statistical data is supplied by Michael Mui, director of the Indiana Business Research Center at Indiana University, Bloomington, and a member of the staff.

ANNUAL & MONTHLY COMPARISONS OF SHIPMENTS

Type of Units	Feb. '92	% Change From Jan. '92	% Change From Feb. '91	Year-to-Date 1992	% Change From '91	% Market Share '92
TOTAL RVs	**34,410**	**3.3**	**87.2**	**67,710**	**86.1**	**100.00**
Travel Trailers:						
Conventional	4,950	13.5	17.5	9,310	40.4	13.75
Park Models	600	22.4	50.0	1,090	22.5	1.61
Fifth-Wheels	540	80.9	82.6	6,230	62.2	9.20
All Travel Trailers	9,840	33.5	43.5	16,640	46.5	24.58
Folding Trailers	1,430	6.2	31.6	6,610	13.3	9.76
Truck Campers	100	66.9	64.1	1,130	34.9	2.91
TOTAL TOWABLES	**13,220**	**10.1**	**46.7**	**25,220**	**42.6**	**37.25**
Motorhomes:						
Class A	980	13.9	0.5	3,440	39.0	6.56
Class B	2,240	19.8	39.4	4,290	36.3	6.72
Class C	1,510	6.3	97.4	3,010	109.4	4.71
Van Conversions	1,000	6.1	36.4	1,990	37.1	3.00
Low-Profile	100	1.0	31.4	290	26.0	0.43
Class C/Van	1,010	7.1	84.1	1,710	111.4	4.14
TOTAL MOTORHOMES	**3,620**	**12.1**	**38.1**	**7,730**	**38.0**	**11.42**

Does Your Distributor Help You Compete?

by Dave Berger

It seems only a few years ago that dealers had the parts-and-accessories business all to themselves. The company that sold the unit also serviced it, and anything related came from the dealers as well.

When the first mass merchandiser started up, it seemed to be a distant problem—an accessories concern only to the dealer located nearby. But the mass merchandiser didn't just have a local business. His catalog mailings attracted orders from far away . . . from the local markets of every dealership, including yours.

Then the mass merchandiser added more stores, and more. Then other mass merchandisers were on the scene. The dealer's sewn-up market was shredded.

Focus on Units

Ten years ago, dealers didn't have to ask where the dollars came from, because of the steady growth in unit sales. Even now, an average RV dealer gets 50% of his sales dollars from the sale of new units and another 25% from used units. If 75% of sales are from units, why worry about parts and accessories, which are only 14% of sales?

Although directing full attention to the parts-and-accessories business would certainly be a case of overkill, there is a fundamental issue to be studied. Parts and accessories are 14% of the average dealer's sales, but at an average margin of 38%. Thus, they contribute 25% of the total gross profit—more than that received from used units. In fact, new units, 50% of sales, only generate 32.5% of gross profit. So instead of comparing 50% or 75% to a lowly 14%, consider 32.5% vs. 25%. It is the 25% of gross profit that is most endangered by mass merchandisers, and, because new-unit sales have not grown in the past five years, the accessories market is more important than ever.

The Distributor

The parts-and-accessories distributor can help the dealer's store control its costs by providing simplified ordering, fast delivery and inventory control. While you may rely on the distributor's service to help with your business, a problem can develop: Distributors play a significant role in setting the retail prices found on products in your store. If a distributor studies market conditions and prices items competitively with the mass merchandisers' mail-order catalogs, that's OK, because the store following that pricing scheme will be competitive in the eyes of the consumer.

If, however, a distributor relies only on the manufacturer's suggested list prices, or sets prices using the same outdated margins used prior to the competitive days of the mass merchandiser, then that distributor is actually contributing to the demise of the independent dealer's parts-and-accessories business. Most consumers know the mass merchandisers, or have seen their mail-order ads, and thus know what the retail price of an item should be.

> The catalog houses, not the manufacturers, set the true retail prices of accessories.

So, here's the truth about manufacturer's suggested list price: It is an option only if that item has not been priced differently by a mass merchandiser. The catalog houses, not the manufacturers, set the true retail prices of accessories in the United States. For example, the manufacturer's suggested list price of one particular 50-foot power cord is $169, but the catalog houses sell it for $69.99. The price of a popular toilet chemical is $7.95, while the mass merchandisers catalog it at $5.95. Which price do you suppose the "street price" is?

If you are using catalogs and price stickers from a distributor that uses list pricing, your shoppers quickly realize that better pricing is available elsewhere. And doesn't it also follow that if your store is high-priced, your units and service are also perceived as being overpriced?

The Four P's

The mass merchandiser actually sets an excellent example for the independent dealer's store. More than anything else, he concentrates on the Basic Four P's:

- Product mix: There is ample inventory of each item in clear view.
- Price competitively: The mass merchandiser zeros in on key items consumers know well.
- Presentation: Clean, well-lit stores are merchandised using suggestive selling. For example, when the supermarket advertises a sale on strawberries, a related item like sponge cakes, will be displayed next to the strawberries, but at full price.
- Promotion: This includes signage and advertising. Catalogs are both colorful as well as cheerful; consumers are always directed to a sale item; and there's usually some type of prize-drawing or sweepstakes available to make the shopping experience more fun . . . and more frequent.

Using the Four P's

By being open to the successful methods of the mass merchandisers, and by using the services available through a good distributor, you can keep your fair share of the accessories market.

Nobody wants to buy the last *anything*. If you stock an item, *stock it!* Show that you are, indeed, in the accessories business. There is a general impression that a big supply of an item means "buy now." Supermarkets often pile a full-priced item high on the end cap to generate impulse sales.

Product variety is equally important. If you only show one electrical switch, your credibility as an electrical source is diminished when someone else offers eight.

Price the items the way you, as a consumer, would like to see them. If you had a choice between the $169 power cord or the $69.99 one, which would you buy? Sure, there's more profit at $169—if you could make a sale. But what about the sales you are losing due to the high price? You are losing money when an overpriced item sits on your shelf.

Presentation in the independent dealer's store is the least expensive of the Basic Four P's to improve upon, yet it's also the most difficult to judge. You sometimes

need to rely on an outsider's honest opinion of how your store looks, although there are guidelines you can follow.

When you examine the lighting in your store, don't just look at the aisles; look at the products. Are some in perpetual shadows? Walk through a mass merchandiser's store to see the effects of indirect lighting. The light-colored fixtures and waxed floors reflect light to help cut shadows.

While packaging variations make no difference in the product, they can affect sales. What do your products look like? Are they covered with dust? Are they thrown into bins or hung neatly on peg hooks?

What examples of suggestive selling are you using? Do you merchandise items by manufacturer (which is probably meaningless to a consumer), or by usage, to give the shopper more buying ideas? Do you feature the same item in more than one place, as the mass merchandisers do? A 12-volt extension cord should be with your electrical necessities and also featured near a display of 12-volt hand-held spotlights, table fans and air compressors.

Promotion

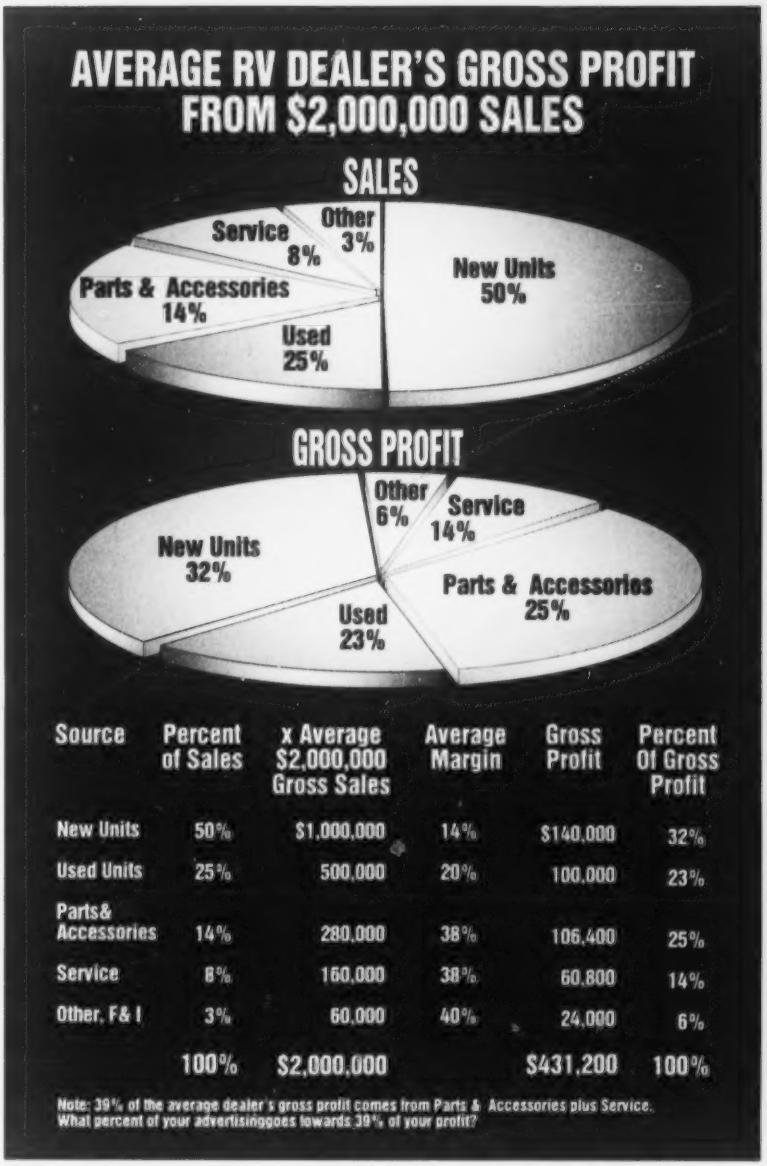
While the mass merchandisers are famous for their frequent catalog mailings, many independent dealers try to rely on a distributor's single full-line catalog of several hundreds of pages. While critical for in-store use, these catalogs are prohibitive to mail. Do you use a catalog to help you sell items readily available on your shelves or as an excuse why your store doesn't have sufficient product? "Catalog stores" no longer work; people want to buy *now*, from a fully stocked store.

Examine your catalogs, too. Are they colorful, on glossy paper, with graphic elements that entice a consumer to look at every page, like the mass merchandiser's catalogs? The mass merchandisers are already sending their catalogs to "your" customers, because those businesses fully understand the power and economy of bulk mail. Ask your distributor for full-color, easy-to-mail catalogs to help you compete. The Coast Distribution System, for instance, has a 64-page full-color catalog for the RV industry; the catalog is affordable to buy and imprint, and cost is only about 30 cents each in bulk-mail postage.

In addition to sending a main mailing of a catalog to your customers, you also need to send several other mailings each year to build a customer base. Find a way to mail at least three or four times per year to each name on your mailing list. It might be a reminder postcard ("Time to Winterize") or "Sale" flyers. Coast Distribution includes a free ready-made two-sided ad mat each month (March through September) that coordinates with its own monthly-specials mailer to dealers. The cost to add return address, print and letter-fold 200 copies, and bulk mail them is only about $60, including postage.

If you haven't paid much attention to your mailing list lately, it's time you do so:

- Every unit you sell, and every one you service, should generate an entry.
- When you are at a show, have plenty of "For Further Information" cards available, to take names of interested attendees.
- Always sponsor a prize drawing of some sort, to collect extra names.


AVERAGE RV DEALER'S GROSS PROFIT FROM $2,000,000 SALES
SALES
Service 8%
Other 3%
New Units 50%
Parts & Accessories 14%
Used 25%
GROSS PROFIT
Other 6%
Service 14%
New Units 32%
Parts & Accessories 25%
Used 23%
Note: 39% of the average dealer's gross profit comes from Parts & Accessories plus Service. What percent of your advertisinggoes towards 39% of your profit?
COMPUTER GRAPHICS: CAROL HENRY

Source	Percent of Sales	x Average $2,000,000 Gross Sales	Average Margin	Gross Profit	Percent Of Gross Profit
New Units	50%	$1,000,000	14%	$140,000	32%
Used Units	25%	500,000	20%	100,000	23%
Parts& Accessories	14%	280,000	38%	106,400	25%
Service	8%	160,000	38%	60,800	14%
Other, F& I	3%	60,000	40%	24,000	6%
	100%	$2,000,000		$431,200	100%

Gross-profit statistics demonstrate the sometimes-overlooked significance of the parts-and-accessories role to the RV dealership. (Diagram statistics courtesy of The Coast Distribution System.)

• Use your computer to record every part-and-accessory sale in your mailing list. (One dealer who recently paid attention to the name-gathering techniques above increased his mailing list by 900 names in only six months.)

• Add "Address Correction Requested" below your return address on bulk mailings to keep your mailing list current.

Another way to promote your products is through proper signage. Begin from the street: Is it easy to find your store? Are entrances clearly marked? Inside, are the aisles identified? Do you have items marked "Sale" throughout your store?

The Fifth 'P'

The main advantage many local dealers have over the mass merchandiser would be the Fifth P: Professionals. Consumers will turn to the independent dealers for professional service and advice. Make sure your service desk is easily accessible to store customers and has impulsive merchandising around it. "Preventive maintenance" items sell well around the service desk.

Does your business have the professionals who attract customers, or simply cash register operators? Hold your advantage by fully training your employees.

Recommendations

Fortunately, by working with a good distributor, dealer stores will find many necessary services already available to help with three of the Basic P's: Product mix, Pricing and Promotion.

Work with your distributor as much as necessary to feature your products. Use price stickers (if they're competitive), shelf stickers, sale tags and computer systems designed by distributors to help you manage your business. Use your distributor's preprinted mailers and imprinted catalogs, and mail frequently. Have extra catalogs conveniently located throughout the store.

Let your service department be a magnet for your store. At any Sears Auto Center, a customer has to walk through the auto store to get to the service desk, and the "waiting lounge" is adjacent to the store.

Finally, rotate your end caps monthly, and change the general product layout of your store each season. Δ

Dave Berger, executive vice president of The Coast Distribution System, San Jose, Calif., has over 20 years' experience in the RV industry and contact with dealers across the country.

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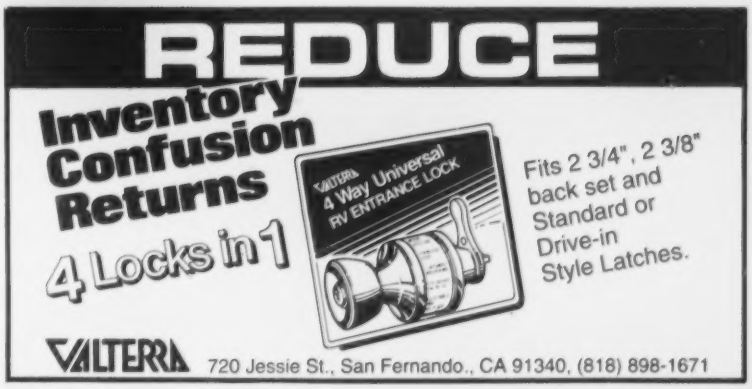
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